

CableVision

THE NEWS AND FEATURES WEEKLY OF THE CABLE TELEVISION INDUSTRY

U.S. APPEALS COURT DECLARES POLE ACT UNCONSTITUTIONAL

PROGRAMMERS' SCRAMBLING CONSORTIUM COLLAPSES

PAC BELL TO OWN PALO ALTO SYSTEM

KAITZ DINNER RAISES \$180,000 • ACE NOMINEES CHOSEN

RALLYING AROUND BASIC: NETS' SUCCESS SPARKS NEW STRATEGIES

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4520 EAST WEST HIGHWAY
BETHESDA MD

20814

**SA
WORK**



The Family
Entertainer
CBN
CABLE NETWORK

CW

G-SPAN

MSN
MODERN SATELLITE NETWORK

**THE NASHVILLE
NETWORK**



THE
CHANNEL

Black
Entertainment
Television

Mtv
MUSIC TELEVISION

Arts & Entertainment
Network

HSN
HOME
SHOPPING
NETWORK

NICKELODEON

Lifetime

SIN

FNN
FINANCIAL NEWS NETWORK

**THE
WEATHER
CHANNEL**

spn
SATELLITE PROGRAM NETWORK

ESPN
THE TOTAL SPORTS NETWORK

CableVision

LEADING THE WEEK

Pole Attachment Act out 11

Despite the possibility of throwing more than 100 pole attachment rate disputes settled by the FCC into question, the Court of Appeals in Atlanta has ruled the 1978 Pole Attachment Act unconstitutional.

Bids in for Group W 11

The first round of bids are in for the sale of Group W's cable systems, with the list of hopefuls including some of the nation's biggest MSOs.

TBS kills scrambling venture 12

Turner Broadcasting System Inc. has pulled out of a proposed scrambling

venture with MTV Networks Inc., ESPN and Showtime/The Movie Channel, and says it now plans to scramble in July 1986 using M/A-COM's VideoCipher II technology for CNN and CNN Headline News.

Nielsen ratings up 14

The last three months look good to MTV, Nickelodeon, CNN, CNN Headline News and The Nashville Network with Nielsen figures showing improved ratings for the five services.

Telco to own system 19

A historic vote has opened the door to cable for Pacific Bell as the city of Palo

Alto awarded the 15-year franchise to Cable Communications Cooperative of Palo Alto Inc.

Kaitz dinner raises \$180,000 20

More than 500 cable industry members attended the Walter Kaitz Foundation fund-raiser held recently at the Waldorf-Astoria Hotel which raised more than \$180,000.

ACE nominees 26

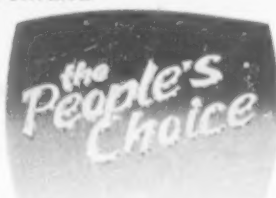
The National Academy of Cable Programming announced the 223 nominees for this year's Awards for Cable Excellence to be hosted by Shelley Duvall on Dec. 3.

TOPICS

Marketing 39

A host of MSO and program service marketing officers were present for the unveiling of the Council for Cable Information's \$12 million campaign for 1986 which, unlike last year's, will stress specific networks and programs to promote the cable medium.

On Demand 40



The People's Choice is delaying its launch date to December and perhaps January. President Lee Eden stated that the film product available doesn't warrant a start-up at the present time. Another pay-per-view service.

Advertising 42

A recent study by Informarketing Inc. showed that ratings, not demographics, are the main criteria for buying advertising time on cable networks, while senior managers are more sensitive to qualitative issues.

Business 44

At a recent Paul Kagan seminar in New York City, industry executives stated that system values, based on nine or 10 times cash flow, may not hold up in 1987 and 1988, yet value per subscriber will be the same or higher due to rates and cash flows being higher.



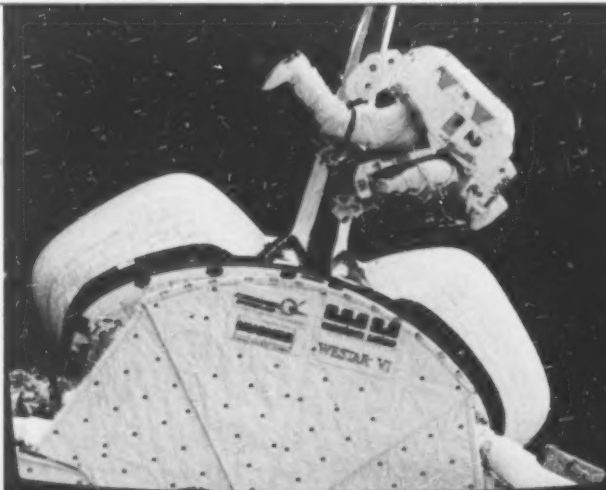
Harold Ewin, president of Communications Equity Associates.

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COVER STORY

A combination of factors is changing how basic cable is perceived by cable operators and advertisers. Operators are aware that basic programming is important in keeping cable's niche in the media marketplace and are placing greater effort on marketing their basic packages. Gene Lindner, vice president of programming for ATC, states that basic is "... the bread and butter of the MSOs." The basic services have improved their marketing techniques and "narrowcast" nets, such as The Discovery Channel (left) with select audience demographics, appeal to advertisers.



BUSINESS AND FINANCE

System values may waver, panelists say

NEW YORK—System values based on nine or 10 times cash flow may not hold in 1987 and 1988 as expectations catch up with reality, cable industry executives and brokers said at a recent Paul Kagan seminar held in New York City. But while multiples may slip, the value per subscriber for the system will be the same or higher because rates and cash flows will be higher, said Harold Ewen, president of Communications Equity Associates.

Interest rates will exert the greatest influence on cash flow ratios, according to both Craig McCaw, president of McCaw Communications Co., and Peter Sokoloff, senior vice president at Cable Investments Inc. The current low interest rate period allows significant leveraging. As a result, cable system values may be "irregularly high," said Sokoloff. Should interest rates begin to rise, the multiples may drop, he concluded.

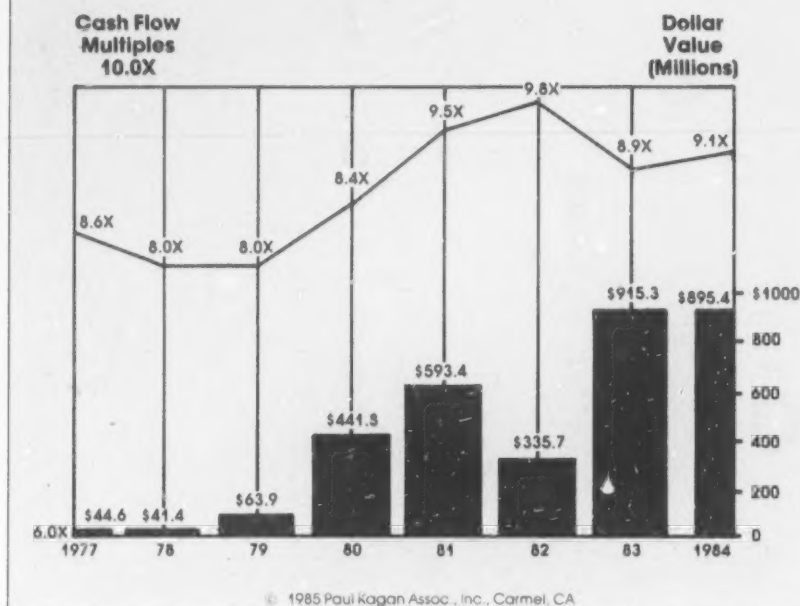
The significant factor in today's market, noted the panelists, is that despite the tremendous number of systems on the market, prices have continued to march ahead. "We didn't buy a single system for less than 10 times cash flow in 1984," noted Tele-Communications Inc. President John Malone. "I hate to think what would have happened" to prices had all of these systems not come on the market, he said.

The panelists noted that the strength of the market is largely a result of the deregulation of the industry, which has allowed operators and investors alike to believe that even in an inflationary period, cable systems will be able to keep up with escalating prices by raising their rates. Said Malone, "1987 is what's driving the prices today."

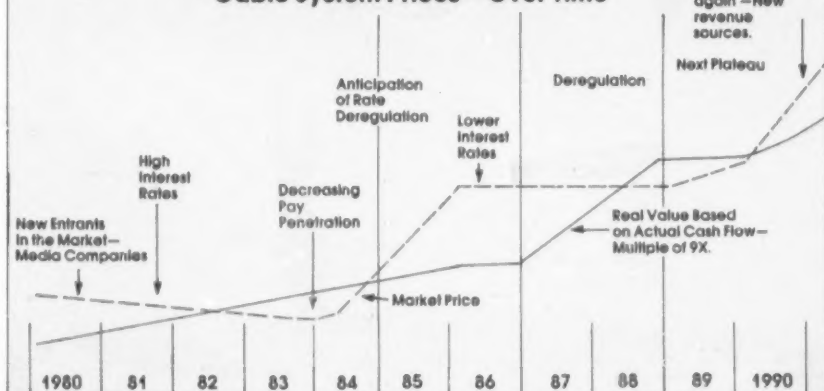
Over the short-term, he predicted, upward pressure on prices will continue. But, he noted, cable system prices have often moved in plateaus. Market values appear to run ahead of real values setting a plateau which real values eventually reach. Once real values approach market values, market values appear to spurt ahead again to a higher plain.

During the recent cable show in Atlantic City, John Waller, president of Waller Capital, expanded on the idea, predicting that market prices would

Cable TV System Sales History



Waller Capital Corporation Cable System Prices — Over Time



plateau at the end of this year and continue flat until mid-1989. At that point, they should rise again in anticipation of cable companies moving back into the marketplace, after two years of deregulation and cash accumulation, Waller said. In the meantime, real system values, based on actual cash flow, will finally be catching up with market value in 1988, only to have market values spurt ahead again.

Jim Hoak, president of Heritage Communications, asserted that over the long term, cable multiples should be lower than broadcast multiples at a

mature level of operation. "There is a limit on a per sub basis to what systems can sell for," he added. But Kagan disagreed, contending that additional sources of revenue will continue to defy cable's definition as a mature industry. Kagan drew an analogy to the newspaper publishing business, which despite its definition as mature, continues to find new sources of revenue and increase its value. For example, by adding new sections a newspaper can provide new advertising opportunities, said Kagan.

—Virginia Munger Kahn

CABLE STATS

Cable Industry Growth Chart

YEAR	TVHH	Homes Passed	Basic Subscribers	% of TVHH	Pay Subscribers	% of TVHH
1990E	93,900,000	81,783,000	50,706,000	54	32,959,000	35
1989E	92,800,000	79,109,000	48,256,000	52	30,883,000	33
1988E	91,000,000	75,833,000	45,500,000	50	28,665,000	32
1987E	89,300,000	71,137,000	41,971,000	47	26,022,000	30
1986E	87,800,000	68,121,000	39,510,000	45	24,101,000	27
1985E	86,000,000	64,500,000	36,120,000	42	21,672,000	25
1984	84,600,000	59,989,000	32,994,000	39	19,764,000	23
1983	83,500,000	53,641,000	30,300,000	36	17,877,000	21
1982	82,800,000	49,100,000	28,200,000	34	15,898,000	19
1981	80,700,000	44,000,000	22,596,000	28	11,804,000	15
1980	77,800,000	37,300,000	18,672,000	24	7,780,000	10
1979	76,300,000	32,700,000	16,023,000	21	5,341,000	7
1978	74,500,000	27,200,000	14,155,000	19	2,980,000	4
1977	73,300,000	24,894,000	13,194,000	18	1,466,000	2
1976	71,114,000	21,989,000	12,094,000	17	505,000	1
1975	69,600,000	19,900,000	11,136,000	16	N/A	N/A

Source: CableProFile Data Base, INTERNATIONAL COMMUNICATIONS RESEARCH

Cable barometer

Television households (TVHH)	84,233,330
Homes passed by cable (HP)	58,274,000
Percent of TVHH passed by cable	69.2%
Basic cable subs	32,761,000
Percent of TVHH with basic cable	38.9%
Percent of HP with basic cable	56.2%
Pay cable subs	19,624,000
Percent of TVHH with pay cable	23.3%
Percent of HP with pay cable	33.7%
Percent of basic subs with pay cable	59.9%

Figures as of Aug. 31, 1984

Source: CableProFile Data Base, INTERNATIONAL COMMUNICATIONS RESEARCH

Satellite lineup

Satcom III-R (RCA Americom)

Transponder

Arts & Entertainment	24
BET	20
CBN Cable Network	8
Cinemax (West)	23
C-SPAN	19
ESPN (Blackout)	7
Eternal Word Television Network	18
Financial News Network	4
Genesis Storytime	8
HBO (West)	13
HTN	16
Home Shopping Network	22
The Learning Channel	16
Lifetime	17
HSN—The Information Channel	22
MTV	11
National Jewish Television	18
Nickelodeon	1
PTL	2
Reuter Monitor Service	18
Seeburg Lifestyle Music	3
Showtime (West)	10
SPN	6
Studioline	19
The Learning Channel	16
Trinity Broadcasting Network	3
TV Decisions	24
USA Cable Network	9
(during blackout)	22
Video Hits One	15
The Weather Channel	21

Satcom IV (RCA Americom)

Transponder

American Movie Classics	10
Biznet	6
Bravo	2
Commerce Satellite Network	3
Home Sports Entertainment	11
Madison Square Garden	6
National Christian Network	7
New England Sports Network	13
Nickelodeon (West)	4
Nostalgia Channel	21
Odyssey	23
The Playboy Channel	12
The Silent Network	16
SportsVision	9
WPIX—New York	19

Westar III (Western Union)

Transponder

CNN	5
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Westar IV (Western Union)

Atlantic City Horse Racing	6
Cable News Network (CNN)	16
Catholic Telecommunications Network of America	11
Public Broadcasting Service	15, 17, 21, 23
Texas State Network	2
Word of Faith Satellite Network	6

Westar V (Western Union)

Fantasy Unrestricted Network (FUN)	21
FUN Weekend Pay-per-view	21
The Meadows Racing Network	22
Pro-Am Sports System (PASS)	14
The University Network	2

Telstar 303 (AT&T)

American Extras	19
Country Music Television (CMTV)	18
KTVT (Dallas)	22
SelectTV	13

Galaxy I (Hughes)

CBN Cable Network	13
Cinemax (East)	19
CNN	7
CNN Headline News	8
C-SPAN	11
The Discovery Channel	22
The Disney Channel (East)	4
(West)	21
EPG	3
ESPN	9
GalaVision	20
HBO (East)	23
Home Team Sports	12
Keyfax National Teletext Magazine	18
Meadow Broadcasting Network	3
The Movie Channel (East)	10
(West)	14
The Nashville Network	2
PTL	17
Showtime (East)	5
SIN	6
Studioline	13
WGN	3
WOR-TV	15
WTHS	18

Spacenet I (GTE)

ACTS	15
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Note: A company name in parentheses following a service or network designates the transponder owner.

Source: International Thomson Communications Inc.

Top 100 MSOs

Rank	Multiple system operator	Basic subs
1	Tele-Communications Inc.	1,660,918 (1.8%)
2	American Television and Communications Corp.	2,500,000 (2.8%)
3	Group W Cable	2,055,000 (2.3%)
4	Storer Cable Communications	1,498,000 (1.7%)
5	Cox Cable Communications	1,475,647 (1.7%)
6	Warner Amex Cable Communications Inc.	1,129,850 (1.3%)
7	Continental Cablevision	1,064,000 (1.2%)
8	Times Mirror Cable Television Inc.	996,000 (1.1%)
9	Newhouse Broadcasting	927,000 (1.1%)
10	United Cable Television	851,000 (1.0%)
11	Viacom Cablevision	800,000 (0.9%)
12	U.A. Cable Systems Corp.	711,000 (0.8%)
13	Simmons Communications Inc.	665,000 (0.8%)
14	Cablevision Co.	589,482 (0.7%)
15	Rogers Cable Systems Inc.	586,800 (0.7%)
16	Heritage Communications Inc.	582,450 (0.7%)
17	Jones Interchange Inc.	570,170 (0.7%)
18	Comcast Cable Communications	505,700 (0.6%)
19	Telecable Corp.	445,065 (0.5%)
20	McGraw Communications	382,000 (0.4%)
21	Capital Cities Cable Inc.	375,818 (0.4%)
22	Prime Cable Corp.	331,226 (0.4%)
23	Wometco Cable TV Inc.	308,427 (0.4%)
24	Centel Cable Television Company	303,316 (0.4%)
25	Daniels & Associates	300,630 (0.4%)
26	New Channels	299,281 (0.4%)
27	TCA Group	273,189 (0.3%)
28	Cablevision Industries	269,741 (0.3%)
29	Multimedia Cablevision Inc.	268,063 (0.3%)
30	American Cable Systems Corp.	263,780 (0.3%)
31	Maclean Hunter Cable TV Ltd.	247,407 (0.3%)
32	Falcon Cable TV	245,000 (0.3%)
33	Scraps Howard	244,411 (0.3%)
34	TeleScripps	230,065 (0.3%)
35	Tribune Cable Communications	219,124 (0.3%)
36	Colony Communications Inc.	216,320 (0.3%)
37	Adelphia Communications	198,203 (0.2%)
38	Rollins Cableview Inc.	197,500 (0.2%)
39	Century Communications Corp.	192,023 (0.2%)
40	Service Electric Cable TV Inc.	189,500 (0.2%)
41	Communications Service Inc.	179,000 (0.2%)
42	TRR Cable Co.	169,000 (0.2%)
43	Cable Entertainment	166,200 (0.2%)
44	Sutton Capital Group	164,248 (0.2%)
45	Rifkin & Associates	160,000 (0.2%)
46	Western Communications	153,564 (0.2%)
47	Adams-Russell Communications	143,382 (0.2%)
48	Harte-Hanks Communications	140,500 (0.2%)
49	Harron Communications	132,644 (0.2%)
50	Buckeye Cablevision	125,925 (0.1%)
51	Harris Cable Corp.	119,500 (0.1%)
52	Midwest Video Corp.	118,102 (0.1%)
53	Lowest Group	114,942 (0.1%)
54	Greater Media Cable	114,401 (0.1%)
55	Televents Inc.	112,500 (0.1%)
56	Armstrong Utilities	112,291 (0.1%)
57	Summit Communications	107,049 (0.1%)
58	U.S. Cable Corp.	98,000 (0.1%)
59	Cencom Cable Associates Inc.	95,240 (0.1%)
60	Communications Systems Inc.	91,655 (0.1%)
61	Multi-Channel TV Cable Inc.	91,240 (0.1%)
62	McDonald Group	90,070 (0.1%)
63	The Essex Group	85,000 (0.1%)
64	Booth Communications	82,482 (0.1%)
65	McClatchy Newspapers	81,778 (0.1%)
66	Media General Corp.	81,429 (0.1%)
67	King Video Cable Co.	80,924 (0.1%)
68	WEBCO Video Inc.	80,092 (0.1%)
69	Palmer Communications	80,448 (0.1%)
70	Ivers Cable TV Corp.	80,146 (0.1%)
71	Cable Management Associates	77,981 (0.1%)
72	Some Communications	74,116 (0.1%)
73	Omega Communications	74,213 (0.1%)
74	Midcontinent Cable Systems Co.	74,213 (0.1%)
75	Susquehanna Broadcasting	70,328 (0.1%)
76	Pencor Services Inc.	69,111 (0.1%)
77	Clear TV Cable Associates Ltd.	59,488 (0.1%)
78	Omni Cable TV Corp.	58,468 (0.1%)
79	Sedrick Communications	58,101 (0.1%)
80	Marsh Media	57,698 (0.1%)
81	Helson Corp.	55,000 (0.1%)
82	Norland Communications Corp.	53,500 (0.1%)
83	The Daily Press	53,000 (0.1%)
84	Masada Corp.	51,900 (0.1%)
85	National Telecommunications Corp.	51,300 (0.1%)
86	Acton Corp.	51,268 (0.1%)
87	United Video Management	50,803 (0.1%)
88	Simmons Communications	50,002 (0.1%)
89	First Carolina Communications Inc.	49,329 (0.1%)
90	Communicon	47,641 (0.1%)
91	Wisconsin Cablevision and Radio Co. Inc.	47,114 (0.1%)
92	Tele-Media	44,506 (0.1%)
93	Bresnan Communications	44,470 (0.1%)
94	Joseph Gans Cable TV	43,838 (0.1%)
95	State Cable TV	43,640 (0.1%)
96	Chamber Communications Corporation	43,366 (0.1%)
97	Doner Cablevision	41,792 (0.1%)
98	Cable Holdings Inc.	40,291 (0.1%)
99	Dowden Communications	39,016 (0.1%)
100	Matrix Enterprises	37,247 (0.1%)

Subscriber counts are provided by MSOs to International Thomson Communications Inc.

Top 100 systems

Rank	Location	Operator	Basic subs
1	San Diego, CA	Cox Cable	259,200 (1.7%)
2	Woodbury (Long Islands), NY	Cablevision Co.	242,034 (1.7%)
3	Manhattan, NY	ATC	206,900 (1.5%)
4	Florida Division Orlando-Ormond Beach	ATC	195,700 (1.4%)
5	San Antonio, TX	Rogers Cable Systems	190,076 (1.4%)
6	Houston, TX	Warner Amex	189,000 (1.4%)
7	East Orange, NJ	MacLean Hunter	174,915 (1.3%)
8	Honolulu, HI	ATC	176,400 (1.3%)
9	Phoenix, AZ	Times Mirror	142,000 (1.0%)
10	Wayne, NJ	U.A. Cable Systems	140,000 (1.0%)
11	Cincinnati, OH	Warner Amex	137,000 (1.0%)
12	Tulsa, OK	United Cable	135,048 (1.0%)
13	Englewood, CO	United Cable	131,106 (1.0%)
14	Audubon, NJ	New York Times	127,337 (0.9%)
15	Tidewater (Norfolk), VA	Cox Cable	118,455 (0.9%)
16	Atlanta, GA	Prime Cable	117,680 (0.9%)
17	Rochester, NY	ATC	117,100 (0.9%)
18	Baltimore County, MD	Comcast Cable	117,000 (0.9%)
19	Eric County, NY	Prime Cable Corp.	115,616 (0.9%)
20	Jacksonville, FL	Continental	110,000 (0.8%)
21	San Jose, CA	Gill Industries	107,200 (0.8%)
22	Memphis, TN	ATC	106,300 (0.8%)
23	Seattle, WA	Group W	104,000 (0.8%)
24	Toledo, OH	Buckeye Cablevision	104,000 (0.8%)
25	Manhattan, NY	Group W Cable	103,400 (0.8%)
26	San Juan, PR	Harris Cable Corp.	102,728 (0.8%)
27	Austin, TX	ATC	102,300 (0.8%)
28	Charlotte, NC	ATC	101,700 (0.8%)
29	Central Islip-Long Islands, NY	Viacom	101,211 (0.8%)
30	Jefferson Parish, LA	Cox Cable	96,929 (0.7%)
31	San Diego, CA	ATC	92,100 (0.7%)
32	San Francisco, CA	Viacom	90,776 (0.7%)
33	Warren, NJ	TRR Cable	90,300 (0.7%)
34	Dallas, TX	Heritage	90,150 (0.7%)
35	Los Angeles, CA	Falcon Communications	88,517 (0.7%)
36	Wilmington, DE	Rollins Cableview	87,600 (0.7%)
37	Grand Rapids, MI	U.A. Cable Systems	85,000 (0.7%)
38	Seattle, WA	Viacom	84,000 (0.6%)
39	Jackson, MS	ATC	80,700 (0.6%)
40	Wichita, KS	Multimedia Cablevision	80,428 (0.6%)
41	Pittsburgh, PA	Telecommunications Inc.	79,666 (0.6%)
42	New Orleans, LA	Cox Cable	79,037 (0.6%)
43	Clearwater, FL	Vision Cable	78,600 (0.6%)
44	Broward County, FL	Storer Cable	78,000 (0.6%)
45	Pompano, FL	American Cable Systems	77,300 (0.6%)
46	Houston, TX	Cablevision	75,724 (0.6%)
47	Richmond Heights, VA	Continental	75,290 (0.6%)
48	Baton Rouge, LA	Daniels & Associates	74,820 (0.6%)
49	South Texas, TX	Heritage Communications	72,038 (0.5%)
50	Flint, MI	Comcast Cable	72,000 (0.5%)
51	Indianapolis, IN	Indianapolis Cablevision	72,496 (0.5%)
52	Tacoma, WA	Cable TV of Puget Sound	72,436 (0.5%)
53	Jefferson County, KY	Storer Communications	71,000 (0.5%)
54	Greensboro, NC	ATC	69,200 (0.5%)
55	South Bend, IN	Heritage Communications	69,013 (0.5%)
56	Cleveland Heights, OH	Viacom	68,000 (0.5%)
57	San Monica, CA	Group W	68,250 (0.5%)
58	Louisville, KY	Storer	66,014 (0.5%)
59	Fort Lee, NJ	Media General	67,767 (0.5%)
60	Omaha, NE	Cox Cable	65,810 (0.5%)
61	Raleigh, NC	Viacom	63,800 (0.5%)
62	Nashville, TN	Viacom	63,000 (0.5%)
63	Kansas City, MO	ATC	64,800 (0.5%)
64	Columbus, OH	Warner Amex	64,079 (0.5%)
65	St. Petersburg, FL	Group W	63,200 (0.5%)
66	Huffalo, NY	Telecommunications Inc.	63,808 (0.5%)
67	Akron, OH	Warner Amex	63,500 (0.5%)
68	Boston Complex (Malden), MA	Warner Amex	63,180 (0.5%)
69	Hartford, CT	Times Mirror Cable	62,882 (0.5%)
70	Binghamton, NY	Scout Channels	62,814 (0.5%)
71	Sarasota-Sulphur, NY	New Channels Corp.	62,814 (0.5%)
72	Oklahoma City, OK	Cox Cable	62,731 (0.5%)
73	Fayetteville, NC	ATC	62,100 (0.5%)
74	Allentown, PA	Service Electric	62,000 (0.5%)
75	Las Vegas, NV	Times Mirror Cable	61,892 (0.5%)
76	El Paso, TX	Group W	61,700 (0.5%)
77	Monterey, CA	Western Communications	61,447 (0.5%)
78	Madison, WI	Telecommunications Inc.	61,257 (0.5%)
79	New Haven, CT	Storer Cable	60,900 (0.5%)
80	West Palm Beach, FL	Group W	60,000 (0.5%)
81	Mt. Prospect, IL	Cablenet	60,000 (0.5%)
82	Sarasota, FL	Storer Cable	59,067 (0.5%)
83	San Barbara, CA	Cox Cable	59,932 (0.5%)
84	Des Moines, IA	Heritage Communications	59,459 (0.5%)
85	Birmingham, AL	ATC	59,400 (0.5%)
86	Albany, GA	Storer Cable	59,000 (0.5%)
87	Snohomish County, WA	Viacom	59,000 (0.5%)
88	Fort Worth, TX	Simmons Communications	59,000 (0.5%)
89	Harrisburg, PA	Simmons Communications	58,600 (0.5%)
90	New Britain, CT	United Cable	58,282 (0.5%)
91	Bridgeport, CT	Cablevision Co.	57,886 (0.5%)
92	Indianapolis, IN	ATC	57,100 (0.5%)
93	Chicago Suburbs Oak Park, IL	Cablevision Co.	56,790 (0.5%)
94	Albuquerque, NM	Tribune Cable	56,715 (0.5%)
95	Stanford Fairfields, CT	Cablevision Co.	56,364 (0.5%)
96	Westchester County (New Rochelle), NY	U.A. Cable Systems	56,000 (0.5%)
97	Chattanooga, TN	Valley Cable	55,994 (0.5%)
98	Winston-Salem, NC	Summit Communications	55,741 (0.5%)
99	Escondido San Diego County, CA	Times Mirror Cable	55,715 (0.5%)
100	Shreveport, LA	ATC	55,500 (0.5%)

Subscriber counts provided by MSOs and systems to International Thomson Communications Inc.